

POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA

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FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011



**POINT-WILHITE WATER SYSTEM, INC.**  
**DOWNSVILLE, LOUISIANA**

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**AS OF AND FOR THE TWO YEARS ENDED DECEMBER 31, 2012**

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## Independent Auditor's Report

Board of Directors  
Point-Wilhite Water System, Inc.  
Downsville, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Point-Wilhite Water System, Inc. (the System) as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise Point-Wilhite Water System, Inc.'s basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Point-Wilhite Water System, Inc.  
Independent Auditor's Report  
For the Year Ended December 31, 2012

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Point-Wilhite Water System, as of December 31, 2012 and 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Point-Wilhite Water System, Inc.'s basic financial statements. The schedule of insurance in force, schedule of selected information, and analysis of funds and accounts are presented for purposes of additional analysis as required by the System's agreement with the Louisiana Department of Health and Hospitals and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of insurance in force, schedule of selected information, and analysis of funds and accounts have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2013, on our consideration of Point-Wilhite Water System, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Point-Wilhite Water System, Inc.'s internal control over financial reporting and compliance.

BOSCH & STATHAM, LLC

*Bosch & Statham*

Jonesboro, Louisiana  
July 1, 2013

**POINT-WILHITE WATER SYSTEM, INC.**  
**DOWNSVILLE, LOUISIANA**

**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Current assets:		
Cash	\$ 324,680	\$ 297,962
Accounts receivable, net of allowance	35,322	30,826
Other assets	1,200	1,200
Total current assets	<u>361,202</u>	<u>329,988</u>
Noncurrent assets:		
Property and equipment	2,088,843	2,088,843
Accumulated depreciation	(627,396)	(586,967)
Total noncurrent assets	<u>1,461,447</u>	<u>1,501,876</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,822,649</u></b>	<b><u>\$1,831,864</u></b>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable	\$ 851	\$ 3,628
Accrued liabilities	13,765	13,613
Customer deposits payable	40,576	38,415
Current portion of long-term debt	50,383	48,797
Total current liabilities	<u>105,575</u>	<u>104,453</u>
Noncurrent liabilities:		
Long-term debt	<u>1,028,031</u>	<u>1,078,324</u>
Total noncurrent liabilities	<u>1,028,031</u>	<u>1,078,324</u>
Total liabilities	<u>1,133,606</u>	<u>1,182,777</u>
Net position:		
Unrestricted	<u>689,043</u>	<u>649,087</u>
Total net position	<u>689,043</u>	<u>649,087</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 1,822,649</u></b>	<b><u>\$1,831,864</u></b>

*The accompanying notes are an integral part of these financial statements.*

**POINT-WILHITE WATER SYSTEM, INC.**  
**DOWNSVILLE, LOUISIANA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Operating revenues:		
Water fees	\$ 264,533	\$ 281,073
Total operating revenues	<u>264,533</u>	<u>281,073</u>
Operating expenses:		
Administration	142,520	171,029
Depreciation	40,429	40,428
Total operating expenses	<u>182,949</u>	<u>211,457</u>
Operating income	<u>81,584</u>	<u>69,616</u>
Nonoperating revenues (expenses):		
Interest income	702	974
Grant - CWEF passed through Union Police Jury	-	45,000
Interest expense	(42,330)	(44,180)
Total nonoperating revenues (expenses)	<u>(41,628)</u>	<u>1,794</u>
<b>Change in net assets</b>	<b>39,956</b>	<b>71,410</b>
Net assets, beginning of year, 2010 restated	<u>649,087</u>	<u>577,677</u>
<b>Net assets, end of year</b>	<b><u>\$ 689,043</u></b>	<b><u>\$ 649,087</u></b>

*The accompanying notes are an integral part of these financial statements.*

**POINT-WILHITE WATER SYSTEM, INC.**  
**DOWNSVILLE, LOUISIANA**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012**

	2012	2011
<b>Cash flows from operating activities</b>		
Net income	<u>\$ 39,957</u>	<u>\$ 71,410</u>
<b>Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:</b>		
Depreciation and amortization	40,429	40,428
Provision for losses on accounts receivable	-	10,444
(Increase) decrease in accounts receivable	(4,496)	(9,543)
Increase (decrease) in accounts payable	(2,778)	(1,299)
Increase (decrease) in accrued expenses	152	(717)
Increase (decrease) in other liabilities	2,161	1,810
Total adjustments	<u>35,468</u>	<u>41,123</u>
Net cash provided by (used in) operating activities	<u>75,425</u>	<u>112,533</u>
<b>Cash flows from investing activities</b>		
Payments for the purchase of property	<u>-</u>	<u>(76,840)</u>
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(48,707)	(56,380)
Net cash provided by (used in) financing activities	<u>(48,707)</u>	<u>(56,380)</u>
Net increase (decrease) in cash and cash equivalents	26,718	(20,687)
Cash and cash equivalents at beginning of year	297,962	318,649
Cash and cash equivalents at end of year	<u>\$ 324,680</u>	<u>\$ 297,962</u>
Interest paid	<u>\$ 42,330</u>	<u>\$ 44,897</u>

*The accompanying notes are an integral part of these financial statements.*

**POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction**

Point-WilHITE Water System, Inc., (the System) a nonprofit corporation organized and operating under Louisiana Revised Statute 12:201-269 was created in 1974. It is governed by a board of directors composed of seven residents of the Point and WilHITE communities who are customers of the system.

**Basis of accounting**

The System recognizes income on the accrual basis of accounting. Customers are billed monthly for services provided during the month.

**Property and equipment**

Property and equipment purchased by the System are valued at cost. Depreciation on all exhaustible fixed assets used by the System is charged as an expense against operations. Depreciation is calculated on the straight-line method. Estimated useful lives are 50 years on the water wells and 7 years on equipment.

Contributions from the Federal Government through the USDA Rural Development (formerly Farmers Home Administration) have been credited to an equity account. The grants are being amortized through depreciation of the assets acquired with the proceeds.

**Revenue and receivables**

The System bills customers based on consumption at set rates. Revenue is recorded when billed. As of December 31, 2012 and 2011, the allowance for bad debts of \$26,495 has been recorded based on the age of the receivables.

**Statement of cash flows**

For purposes of the statement of cash flows, the System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - DEPOSITS IN FINANCIAL INSTITUTIONS**

At December 31, 2012 and 2011, the System had cash (book balances) as follows:

	<u>2012</u>	<u>2011</u>
Interest-bearing demand deposits	\$ 287,037	\$ 260,677
Interest-bearing time deposits	37,643	37,285
Total	<u>\$ 324,680</u>	<u>\$ 297,962</u>



**POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 2 - DEPOSITS IN FINANCIAL INSTITUTIONS (Continued)**

The System has accounts at two banks. Deposits at each of these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. At December 31, 2012 and 2011, the System had \$329,622 and \$302,060, in deposits (collected bank balances). At one bank, the System had \$41,979 and \$14,776 in excess of the insured limit at December 31, 2012 and 2011, respectively.

The System is required by loan agreements to maintain separate bank accounts for reserve accounts. Balances in these accounts as of December 31, 2012 and 2011, totaled \$136,686 and \$136,176, respectively.

**NOTE 3 - ACCOUNTS RECEIVABLE**

At December 31, 2012 and 2011, the System had net receivables of \$30,826 as follows:

	<u>2012</u>	<u>2011</u>
Billed water sales	\$ 25,595	\$ 22,000
Unbilled water sales	<u>9,727</u>	<u>8,826</u>
Total net receivables	<u>\$ 35,322</u>	<u>\$ 30,826</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>Balance at January 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2012</u>
Land	\$ 1,600	\$ -	\$ -	\$ 1,600
Buildings	3,241	-	-	3,241
Leasehold improvements	2,051,765	-	-	2,051,765
Other equipment	<u>32,237</u>	<u>-</u>	<u>-</u>	<u>32,237</u>
Total property and equipment	<u>2,088,843</u>	<u>-</u>	<u>-</u>	<u>2,088,843</u>
Less accumulated depreciation for:				
Buildings	2,755	162	-	2,917
Leasehold improvements	551,975	40,267	-	592,242
Other equipment	<u>32,237</u>	<u>-</u>	<u>-</u>	<u>32,237</u>
Total accumulated depreciation	<u>586,967</u>	<u>40,429</u>	<u>-</u>	<u>627,396</u>
	<u>\$ 1,501,876</u>	<u>\$ (40,429)</u>	<u>\$ -</u>	<u>\$ 1,461,447</u>

**POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 4 – PROPERTY AND EQUIPMENT (Continued)**

	Balance at January 1, 2011	Increases	Decreases	Balance at December 31, 2011
Land	\$ 1,600	\$ -	\$ -	\$ 1,600
Buildings	3,241	-	-	3,241
Leasehold improvements	1,974,925	76,840	-	2,051,765
Other equipment	32,237	-	-	32,237
Total property and equipment	2,012,003	76,840	-	2,088,843
Less accumulated depreciation for:				
Buildings	2,593	162	-	2,755
Leasehold improvements	511,709	40,266	-	551,975
Other equipment	32,237	-	-	32,237
Total accumulated depreciation	546,539	40,428	-	586,967
	<u>\$ 1,465,464</u>	<u>\$ 36,412</u>	<u>\$ -</u>	<u>\$ 1,501,876</u>

Depreciation expense of \$40,429 and \$40,428 for the years ended December 31, 2012 and 2011, is reported in the statement of activities.

**NOTE 5 – LONG-TERM DEBT**

Long-term debt consisted of the following at December 31, 2012:

	2012	2011
Note payable to USDA Rural Development, dated July 18, 1978, due in 480 monthly payments of \$598 including interest at 5.00%, due in February 2018.	\$ 32,756	\$ 38,147
July 10, 1992, due in 480 monthly payments of \$1,369 including interest at 5.625%, due in July 2032.	194,658	199,974
Note payable to Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund, dated February 1, 2008, due in 20 annual payments as specified in the loan agreement including interest at 3.45%, due in February 2028.	851,000	889,000
Total long-term debt	1,078,414	1,127,121
Less current portion of long-term debt	(50,383)	(48,797)
Total long-term debt	<u>\$ 1,028,031</u>	<u>\$ 1,078,324</u>

**POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 5 – LONG-TERM DEBT (Continued)**

The following is a summary of long-term debt transactions for the year ended December 31, 2012:

	<u>January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2012</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 1,127,121</u>	<u>\$ -</u>	<u>\$ (48,707)</u>	<u>\$ 1,078,414</u>	<u>\$ 50,383</u>
	<u>January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2011</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 1,183,501</u>	<u>\$ -</u>	<u>\$ (56,380)</u>	<u>\$ 1,127,121</u>	<u>\$ 48,797</u>

Annual debt service requirements to maturity for notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>
2013	\$ 50,383	\$ 40,908
2014	53,003	38,908
2015	54,732	36,822
2016	57,347	34,649
2017	61,442	32,369
2018-2022	299,469	128,422
2023-2027	368,226	65,693
2028-2031	133,812	7,355
	<u>\$1,078,414</u>	<u>\$ 385,126</u>

Interest charged to expense for the year ended December 31, 2012 and 2011 was \$42,330 and \$44,180.

**NOTE 6 - LONG TERM LEASE**

The System leases a tract of land for \$1 per year for 40 years. The lease commenced on December 1, 1991, and will end on November 30, 2031. The System has an option to renew the lease at the end of the lease term. The well known as the Hamilton Well is located on this land.

**POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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**NOTE 7 – FAIR VALUE MEASUREMENTS**

The carrying values reported on the statements of financial position for cash, accounts receivable, accounts payable, accrued liabilities, and customer deposits payable approximate fair market value due to the relatively short-term nature of the respective instruments. Based on the borrowing rates currently available to the System for loans with similar terms and average maturities, the carrying value of long-term debt approximates its fair value.

**NOTE 8 – CONCENTRATIONS OF RISK**

Amounts held in financial institutions occasionally are periodically in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The organization deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

The Company who is contracted to provide routine maintenance on the water system and to read meters is owned by a board member's brother-in-law. During 2012 and 2011, the Company paid the related party \$40,122 and \$44,970, respectively.

**NOTE 10 – SUBSEQUENT EVENTS**

The System has evaluated subsequent events through July 1, 2013, the date on which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA**

**SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>Insurer</b>	<b>Amount of Coverage</b>	<b>Risks Covered</b>	<b>Term in Effect as of:</b>	
			<b>12/31/2012</b>	<b>12/31/2011</b>
American Alternative Insurance Company	\$ 3,000,000	Property/General Liability	1/8/12 - 1/8/13	1/8/11 - 1/8/12
American Alternative Insurance Company	\$5,000 to \$10,000	Crime	1/8/12 - 1/8/13	1/8/11 - 1/8/12
American Alternative Insurance Company	\$ 3,000,000	Public Officials and Management Liability	1/8/12 - 1/8/13	1/8/11 - 1/8/12
Farm Bureau	\$ 7,500	Fire	4/22/12 - 4/22/13	4/22/11 - 4/22/12

**POINT-WILHITE WATER SYSTEM, INC.**  
**DOWNSVILLE, LOUISIANA**

**SCHEDULE OF SELECTED INFORMATION**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
Number of System Users	731	731
Billings for services rendered	\$ 254,896	\$ 253,161
Unbilled revenue	9,637	10,186
Revenue per financial statements	<u>\$ 264,533</u>	<u>\$ 263,347</u>
Average monthly billing per user	<u>\$ 29.06</u>	<u>\$ 28.86</u>
<b>User fees:</b>		
Effective 2008:		
\$12.50 for the first 2,000 gallons		
\$3.50 per thousand for consumption over 2,000 gallons		
Effective 2009:		
\$12.50 for the first 2,000 gallons		
\$3.75 per thousand for consumption over 2,000 gallons		
Effective June 2010:		
Residential:		
\$12.50 for the first 2,000 gallons		
\$3.75 per thousand for consumption over 2,000 gallons		
Commercial:		
\$30.00 for the first 5,000 gallons		
\$3.25 per thousand for consumption from 5001-50,000 gallons		
\$2.75 per thousand for consumption over 50,000 gallons		
Meter deposit	\$ 50	\$ 50
Meter installation and connection fee	\$ 500	\$ 500
Reconnect fee when disconnected for nonpayment	\$ 25	\$ 25
Late fee	10%	10%
NSF fee	\$ 15	\$ 15

**POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA**

**ANALYSIS OF FUNDS AND ACCOUNTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	December 31,			December 31,			December 31,
	2010	Receipts	Disbursements	2011	Receipts	Disbursements	2012
General checking	\$ 183,198	\$ 322,165	\$343,576	\$ 161,787	\$ 265,869	\$ 239,662	\$ 187,994
Reserve for debt service	36,826	460	-	37,286	357	-	37,643
DHH reserve account	98,625	264	-	98,889	154	-	99,043
Total	<u>\$ 318,649</u>	<u>\$ 322,889</u>	<u>\$343,576</u>	<u>\$ 297,962</u>	<u>\$ 266,380</u>	<u>\$ 239,662</u>	<u>\$ 324,680</u>



## **OTHER REPORTS**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Members of the  
Board of Directors of  
Point Wilhite Water System, Inc.  
Farmerville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Point Wilhite Water System, Inc. (the System), as of and for each of the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise Point Wilhite Water System, Inc. (the System)'s basic financial statements, and have issued our report thereon dated July 1, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Point Wilhite Water System, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Point Wilhite Water System, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Point Wilhite Water System, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Point Wilhite Water System, Inc. (the System)'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Point-Wilhite Water System, Inc.  
Downsville, Louisiana  
Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance, etc.  
December 31, 2012

**Point Wilhite Water System, Inc.'s Response to Findings**

Point Wilhite Water System, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Point Wilhite Water System, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

BOSCH & STATHAM, LLC

*Bosch & Statham*

July 1, 2013  
Jonesboro, Louisiana

**POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>Federal Agency - Pass-through entity</b>	<b>CFDA NO.</b>	<b>Pass-through Entity</b>	<b>Program</b>	<b>2012</b>	<b>2011</b>
		<b>Grant ID</b>			
Environmental Protection Agency - Passed through the Louisiana Department of Health and Hospitals Office of Public Health	66.468	N/A	Capitalization Grants for Drinking Water State Revolving Fund	<u>\$ -</u>	<u>\$ -</u>

**Notes:**

**Note 1 – General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Point-WilHITE Water System, Inc. (the System). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

**Note 2 – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the System's financial statements.

**Note 3 – Relationship to the Financial Statements**

The System had no federal grant revenues for the years ended December 31, 2012 and 2011. The System's federal award is a loan from EPA passed through the Louisiana DHH. It is included in long-term debt and disclosed in the notes to the financial statements. The final project costs were incurred during the year ended December 31, 2009. Therefore, there are no federal expenditures during the years ended December 31, 2012 and 2011.

POINT-WILHITE WATER SYSTEM, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the statement of financial position of the Point-WilHITE Water System as of December 31, 2012 and the statements of activities and of cash flows for the year ended December 31, 2012.
2. Two material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting.
3. No instances of noncompliance material to the financial statements of the Point-WilHITE Water System were disclosed during the audit.

**B. FINDINGS – REQUIRED TO BE REPORTED BY GAGAS**

**2012-1 Improper Segregation of Duties**

**Condition**

The System's bookkeeper/accountant performs most functions including collecting payments; making deposits; preparing, signing, and mailing checks; recording transactions; maintaining accounts receivable records; and reconciling bank accounts to the bank statements.

**Criteria**

Best practices require segregation of the functions of authorizing, recording, and custody.

**Cause**

The System has no other employees. It is not economically feasible to effect a proper segregation of duties.

**Effect**

The System is at greater risk for error or fraud.

**Questioned costs**

No questioned costs were noted.

**Recommendation**

We recommend that a board member open all bank statements, review timely financial reports, and investigate any unusual items.

**Response**

We will implement the auditor's recommendation. Contact persons will be the current officers. Officers at the present time are Robert Mears, President, and Challana Dean, Secretary. 318-982-3884

**B. FINDINGS – REQUIRED TO BE REPORTED BY GAGAS (Continued)**

**2012-2 Failure to Terminate Service to Customers with Overdue Balances**

**Condition**

The System's accounts receivable balances per the trial balances as of December 31, 2012 and 2011 were \$52,090, and \$48,495, respectively. Average monthly billing is approximately \$22,000. Therefore, approximately two months of billings remain unpaid at the end of each year. During our test of billing, we noted several customers that are still receiving service though they owe the System for several months of service.

**Criteria**

Best practices require that the System terminate service to customers when their accounts become past due, usually within 30 days of the due date of the bill.

**Cause**

Unknown

**Effect**

The likelihood that the past due balances will be collected becomes more unlikely the more they age. Therefore, revenue will be lost. Receivables are reported at an amount net of an estimated loss to prevent overstatement of the receivable.

**Questioned costs**

No questioned costs were noted.

**Recommendation**

We recommend the following: a) that the System establish and enforce a cutoff policy, b) that the System take steps to collect the past due balances, c) and that the System consider increasing the required deposit to ensure that the deposit would be more likely to cover any unpaid bills. This recommendation should be implemented as aggressively as possible while complying with state and federal regulations for terminating service. Legal counsel should be consulted.

**Response**

We will implement the auditor's recommendation. Contact persons will be the current officers. Officers at the present time are Robert Mears, President, and Challana Dean, Secretary. 318-982-3884

**POINT-WILHITE WATER SYSTEM, INC.  
DOWNSVILLE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>Ref. No.</b>	<b>Description of Finding</b>	<b>Corrective Action Taken Yes, No, Partially</b>	<b>Planned Corrective Action/ Partial Corrective Action Taken</b>
2011-1	Improper Segregation of Duties	No	N/A
2011-2	Failure to Submit Audit Report to Authorities	Yes	2010 and 2011 were submitted to DHH
2011-3	Failure to terminate services to customers with overdue balances	No	Terminate service as recommended.